THE RANDOLPH-SHEPPARD BUSINESS ENTERPRISE PROGRAM: SITE SELECTION

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The Randolph-Sheppard Business Enterprise Program: Site Selection

Monograph 2: Studies of the Randolph-Sheppard Program

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Abstract: Directors of State Licensing Agencies [SLA], directors of Randolph-Sheppard Vending Facility Programs (also called Business Enterprise Programs [BEP]), and Business Enterprise counselors in 43 states responded to a survey regarding site selection factors. Results indicate that the most frequent reason for surveying a potential site is for the purpose of adding it on to an existing site to enhance that operator's income. The second most frequent reason is because the prospective site is a government building.

BE counselors identified minimum or maximum criteria for (a) anticipated income, (b) space, (c) start-up costs, (d) rent, (e) remodeling, (f) customer traffic, and (g) storage space with respect to the three types of business enterprises. Data indicate that, although cafeterias appear to be the most profitable of enterprise types, potential vending sites are the most often surveyed. Vending sites appear most lucrative in an add-on situation; their preference as a site for a new operator requires more investigation.

Empirical indices were established for profit, start-up costs, space ratios, and remodeling costs. The suggestion was made for individual states to establish their own data for comparison. Another recommendation was that states examine their expectations regarding cost recovery. Demographics of the BE counselors were described. The final recommendation was for states to study the demographics of their counselors with respect to the demographics of their operators and to determine if women and minorities are underrepresented in the program.

INTRODUCTION

The Business Enterprise (BE) Program (also called the Vending Facility Program) was initiated in 1936 by the Randolph-Sheppard Act (P.L. 74-732) to enlarge the economic opportunities of people with vision disabilities. The Act and its amendments provide a national work incentive for people with visual disabilities by giving them priority in establishing businesses on federal property (Weston & Spann, 1985). In subsequent years, most of the state-federal rehabilitation agencies which serve people with vision disabilities have chosen to administer a Randolph-Sheppard program. The program has expanded to include 3,288 sites located in state, county, municipal, and private facilities, as well as on federal property. Operators grossed over $68 million in fiscal year 1987 (Rehabilitation Services Administration [RSA], 1988). The program has employed more than 20,000 people with vision disabilities and ranks among the "50 largest food corporations in America" (RSA, 1988, p.1).

Administration of the Program

The state-federal rehabilitation agency is termed the state licensing agency (SLA) and is responsible, sometimes through a nominee agency, for the supervision of the BE Program in each state. As established by the 1974 amendments to the Randolph-Sheppard Act, an Elected Committee of Vendors (operators) advises the SLA regarding promotion of operators, training, and various other program operations (Weston & Spann, 1985).

Federal vocational rehabilitation funds (Section 110 monies) may be used to provide supervision of the program. The purposes of the on-going contact are to provide business consultation, to provide training for upward mobility, and to oversee fiscal reporting. An additional responsibility includes development of sites for new enterprises to expand work opportunities for people with visual disabilities. BE counselors (job titles vary by state) carry out the objectives of the program as designated by the BE Program director who is responsible to the SLA director.

A "set-aside" fund may also be levied by the SLA. This fund is a percentage of the net profits of the individual operators. Set-aside funds may be used only for (a) management services, (b) purchase of new equipment, (c) maintenance and replacement of existing equipment, (d) benefits programs for operators, and (e) to supplement the income of operators whose profits are below a specified level (Weston & Spann, 1985).

There are several unique aspects of the BE Program. The continuing supervisory relationship with the SLA and the participation of operators in program expansion through the set-aside fund are but two. These two factors serve as a reminder, however, of the perspectives of rehabilitation and business that are combined in the operation of the BE Program.

Federal Reports

The RSA compiles annual reports of the activities of the BE Program with information supplied by the SLAs. The annual federal report (*e.g.*, RSA, 1987, 1988) contains fiscal information such as the mean income of operators by type of enterprise. In Fiscal Year (FY) 1987, the mean income of cafeteria operators was $26,291; vending route operators earned $23,356; and operators of snack bar and other types of enterprises earned a mean of $19,362.

Site Selection

The federal report also addresses such program information as the number of sites approved for development (236) and the number of potential sites surveyed (660) in a fiscal year (RSA, 1988). The ratio of sites selected for development varies by fiscal year. The ratio was 1:4 in FY 1987 (RSA, 1988) and 1:6 in FY 1985 (RSA, 1986). In FY 1987, a total of 158 new facilities were established: 24 cafeterias, 40 vending routes, and 94 snack bar and other types (RSA, 1988). These proportions appear relatively constant across years despite the apparent financial advantage to operators of a cafeteria site.

Some states require a BE counselor to assess a specific number of sites (quota) for potential development each year by completing a site selection survey. Other states leave the number of site selection surveys to the counselor. In either case, BE counselors are expected to document their survey of sites for potential development by filing a "site selection survey" form.

The BE counselor's decision to develop a site depends upon the assessment of a number of variables, not necessarily standard across states, and differs according to whether the site is intended to become a cafeteria, part of a vending route, or a snack bar. Minimum or maximum specifications relative to those variables are usually informally determined within a state's BE Program unit or by the BE counselor.

Statement of the Problem

The purpose of this study was to describe the variables most commonly used in determining a site as acceptable for the development of a Business Enterprise and to delineate the specifications relative to those variables. The influence of SLA policy, the relationships among anticipated operator income, and the average costs of site development were also of interest in terms of site survey and selection.

METHOD

Subjects and Their Selection

Subjects were BEP counselors, BE Program directors, and agency directors from 43 states in which the SLA director approved participation. Their participation was voluntary.

Instrument Development

Several perspectives on the issue of selection of appropriate sites were used in order to triangulate the data. Therefore, three separate response forms were developed for the agency director (Form A), the BEP director (Form B), and the BE counselors (Form C) in order to determine what the participants perceived about the practice of site selection. A fourth form was developed for use by regional supervisors (Form D) in completing a survey of 10% of

the site selection documents on file in order to compare stated criteria to documented practice.

The questions for the agency directors (Form A) addressed funding and time commitments to the BE Program and interagency agreements. The questions for the BE Program directors (Form B) included existing policy about site selection and development.

The questionnaire for the BE counselors (Form C) concerned the reasons they might have for rejecting a potential site. The questionnaire requested minimum or maximum limits BE counselors typically require on a number of selection criteria in order to recommend a site for selection. Form C also requested demographic information about the BE counselors.

Form D, used by regional supervisors to review documentation on the sample of site selection surveys filed by the counselors, generally corresponded to questions on the counselor's survey. For example, the reasons for site rejection were asked in a more global fashion, rather than specific to type of enterprise.

Pilot Study

The questions for pilot instruments were derived from the most commonly noted items on site survey forms developed by the General Services Administration and 31 SLAs. The researchers interviewed regional supervisors, BE counselors, and BE Program directors regarding the information on the questionnaires. They used Pilot Form D to determine the extent of documented information. Inconsistently completed items were eliminated from Forms C and D. The remaining variables were (a) expected income, (b) space for the enterprise, (c) excessive start-up costs (equipment, furniture), (d) the percentage of rent to be paid by the operator, (e) remodeling costs (plumbing, electrical, construction), and (f) number of potential customers.

Review of documentation and interviews suggested the addition of three variables. They were (g) amount of storage space, (h) lack of security, and (i) a negative attitude on the part of management. The questionnaires were further refined to streamline data collection and data entry. Copies of the final questionnaires and the documentation review form are included in the Appendix.

Procedure

With the permission of the Committee on Research of the National Council of State Agencies for the Blind, all directors of SLAs received a letter which (a) described the purpose of the study, (b) provided an estimate of the time required to complete each survey form, and (c) requested permission to proceed. Directors signified their permission by returning a form to the RRTC which also gave the number of counselors in the agency.

The appropriate number of packets of research information were mailed to the SLA director for distribution to the BE Program directors, counselors, and regional supervisors. The packet included a letter of explanation which described confidentiality procedures and the right to withdraw from the study at any time without penalty. The research packet included a stamped, business reply envelope to use in returning the questionnaires to the RRTC.

Data Analysis

Using SPSS-PC+, the demographic data were arranged in frequency tables, cross-tabbed on variables of interest, and converted to figures. Measures of central tendency, standard deviations, and t-tests were calculated on selected variables regarding selection criteria and specifications.

RESULTS

Directors of 43 SLAs chose to have their personnel participate in the study. Thirty-eight of the state agency directors (83% return) participated in the study. They indicated employing 151 BE counselors. Responses were returned by 108 BE counselors (72% response rate). Thirty-six BE Program directors (84%) participated. The documentation review included a sample of 9.5% of the site selection survey forms filed by the BE counselors in the study.

Figure 1
Age of Business Enterprises Counselors

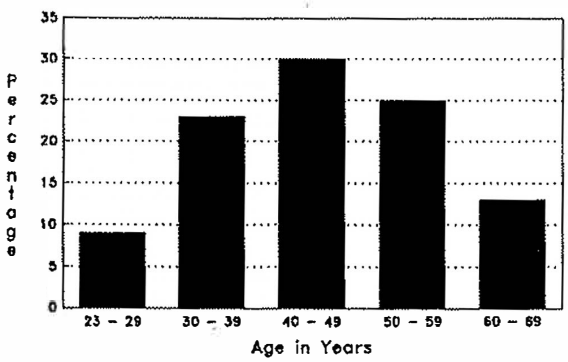
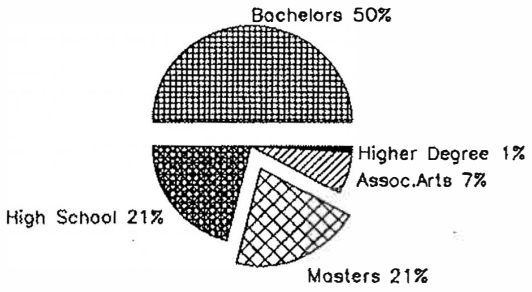


Figure 3
Highest Degree Achieved



Description of the Sample of BE Counselors

Demographics

Age. Figure 1 displays the ages of all BE counselors. Ages ranged from 23 to 65 years of age. The mean and median ages were both 45 years, with a modal age of 55.

Sex, ethnic group, and visual status. Figure 2 illustrates the proportions of sex, ethnic groups, and vision status. The vast majority of the counselors in the sample are male, white, and sighted.

Level of education. The highest degrees obtained by the BE counselors are illustrated in Figure 3. Half of the BE counselors have bachelor's degrees. Figure 4 represents the highest degree by various age groups. Those in the 50 - 59 year age group are the most likely to have only a high school diploma.

Major. Figure 5 indicates the major area of study for the highest degree of each respondent. The major areas are: (a) business related, (b) rehabilitation, (c) liberal arts, and (e) education/other. People with bachelor's degrees who majored in business related areas were four times as prevalent as liberal arts majors. Two respondents reported majors in hotel and restaurant management. People with master's degrees were distributed essentially equally across all majors.

Work History and Experience

Work history. The previous occupations of BE counselors are shown in Figure 6. Approximately 17% of the total sample reported employment in the BE Program as their first job. Of those who had previous jobs, most were employed in business, either their own enterprise or working for someone else.

Figure 2
Sex, Ethnic Group, and Visual Status
of Business Enterprises Counselors

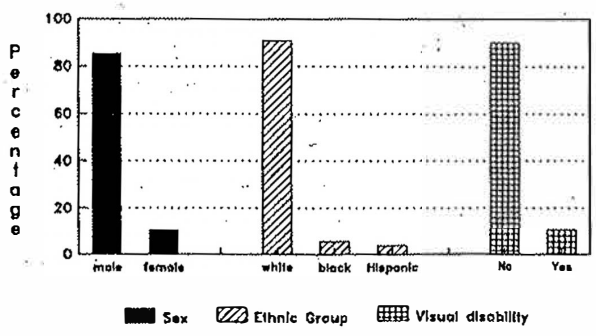


Figure 4
Highest Degree by Age

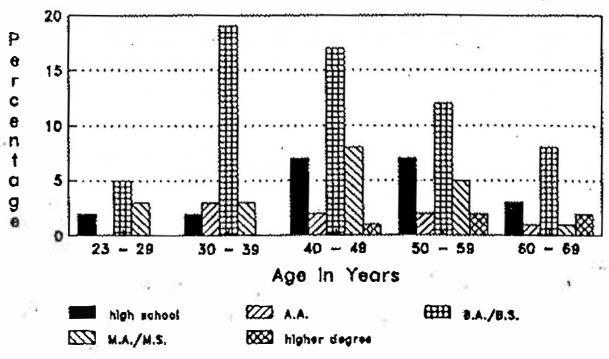


Figure 5
College Major for Highest Degree

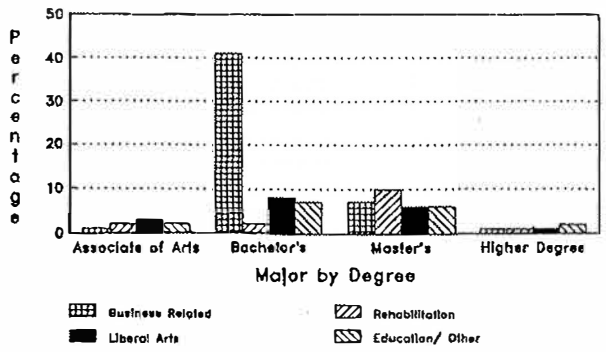
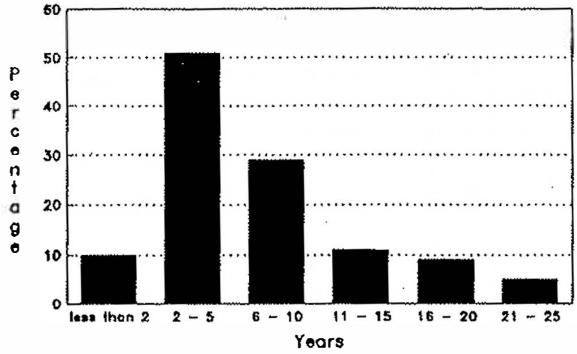


Figure 7
Years of Experience in BEP



Experience. Fifty-one percent of the BE counselors reported that they have from 2 to 5 years of experience in the BE Program (Figure 7). The most frequently reported number (mode) of years of experience were both 2 and 3 years, each reported by 11 persons. Experience in the program ranged from 1 month to 25 years, with a mean of 6.9 years and a median of 5 years.

Administrative Issues

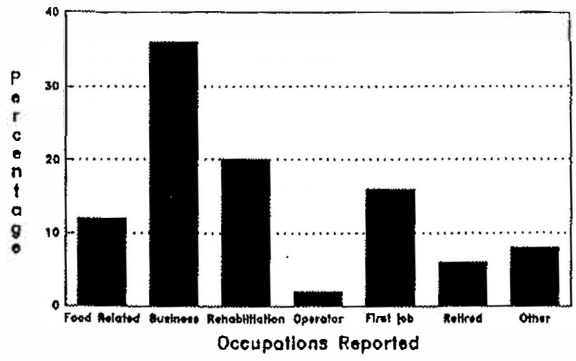
Directors

Percent of Section 110 funds. The agency directors reported that the mean amount of Section 110 funds devoted to the Business Enterprise Program was 7.6% (mode = 0; median = 6%).

Amount of administrative time. Agency directors reported devoting a mean of 14% of their time to the BE Program. The mode is 5%; the median, 6%.

Interagency agreements. Interagency agreements regarding the "automatic" establishment of enterprises on other state sites (*e.g.*, state highway department rest areas) were reported by 27% of the state directors participating in the survey.

Figure 6
Jobs Prior to BEP Counselor



BE Program Directors

Amount of time between site recommendation and approval. The 36 BE Program directors reported that the mean time between a BE counselor recommending a site for development and approval by the central administration was 1.8 months. Both the mode and the median times for approval were 1 month; however, the reported time ranged up to 7.5 months.

Backlog of sites awaiting development. Fifty-nine percent of the state BE Program directors reported no backlog of approved sites awaiting development. Lack of funds was the most frequently (50%) reported reason for a delay, followed by lack of administrative time (32%) and lack of BE counselor time (18%).

Cost recovery expectations. Eighteen percent of the BEP directors do expect to recover the start-up costs associated with the development of a new site. The mean expected number of months for cost recovery was 34 months (range = 1.5 to 84 months).

Program policy. Thirty-one percent of the responding states reported that they have special agreements with other state agencies regarding the "automatic" establishment of a business enterprise. Sixty-eight percent of the participating states had a policy that requires a counselor to file a site selection survey report even if the site is not recommended for development. Five percent of the state BE Program directors reported having an agency quota for site selection surveys. Although a number of states have a policy that does not allow the payment of rent, 31% of the states reported having a policy regarding the maximum percentage of the gross profits an operator would be permitted to pay as rent.

Site Selection Criteria

BE Counselor Survey

Table 1 provides data reported regarding the number of sites surveyed by a BE counselor during the last fiscal year. Counselors in six states reported having quotas for site selection surveys. The mean number of surveys per counselor in quota states does not differ significantly (at the .05 level) from the mean number performed in nonquota states. A substantially larger percentage of sites were recommended for development in the nonquota states.

Table 1
Number of Sites Surveyed and Percentage Recommended

Type	Mean/ counselor	Recommended
States with quota	7.1	32%
Nonquota states	5.4	59%
Combined	6.9	43%

Total number of sites = 848 surveyed during previous year; Average amount of work time spent in site surveys = 11%

Site surveys and reasons. The number of site surveys reported by the BE counselors during the previous year was 848. The reasons for conducting a site survey are listed in Table 2. The primary reason reported for a site survey was for potential establishment of an "add-on" location for the purpose of income enhancement of an already existing enterprise. Site surveys conducted for the purpose of potential establishment of a site in a government building were the second most frequent reason.

Table 2
Reasons for Site Selection Survey

Reasons	Percentage
Agency quota/supervisory requirement	11%
Government building	13%
Interagency agreement	11%
Requested by site	25%
For add-on/business increase	37%
Other	3%

Expected income. The data regarding the various levels of expected income for various types of enterprise sites are summarized in Table 3. For example, BE counselors reported a mean minimum acceptable expected net income of $14,986 before they would recommend a potential snack bar site for development, with a mean minimum expected additional net income of $7,011 if the site was to be an add-on.

Table 3
Stated Mean Minimum Expected Income

Type of Enterprise	Gross	Net	Add-on
Snack bar & other	$ 45,172	$14,986	$7,011
Cafeteria	101,084	21,447	8,133
Vending	37,589	14,971	5,177

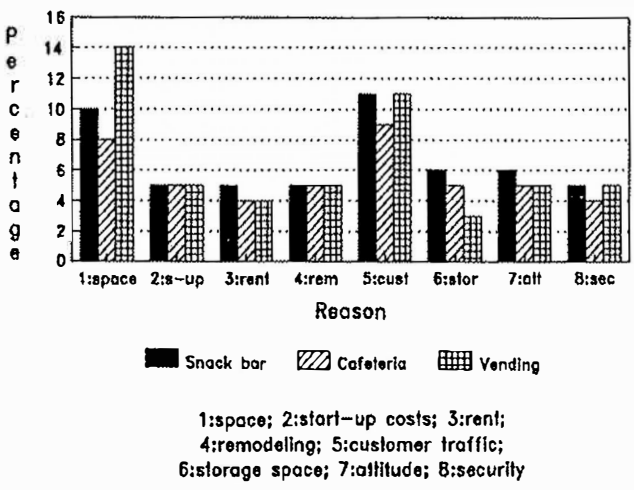
The pilot study addressed the method of projecting income by the BE counselor, but no measurable or even categorical methods were revealed in thematic analysis. The question was asked again of the BE Program directors

in the event that they teach some method of estimation to new counselors. The results indicated a reliance on "experience" and "comparison," but few specifics were consistently identified. The most often reported index was "customer traffic," which was identified in about half of the answers, but not always in a manner that could be quantified in the documentation review (*e.g.*, "a lot"). The question of the number of customers projected was put directly to the BE counselors and remains the only measure which can be quantified with a relationship to income. It is discussed below (Table 8) with other site specifications.

Reasons for rejecting a site. An overview of the relative frequency of various reasons for site rejection (exclusive of income) is displayed in Figure 8. These reasons include inadequate security and a negative attitude on the part of management, which are not quantifiable factors. The remaining quantifiable factors are discussed in corresponding paragraphs below.

The most frequently reported reason is lack of sufficient customers. The second most frequently reported reason for site rejection is not enough space. Although data are provided for each type of enterprise, frequencies did not differ significantly. Additional information regarding minimum/maximum specifications for each of the variables, and for income, follows.

Figure 8
Stated Reasons for Site Rejection



Site Specifications

Space

Table 4 describes the data regarding minimum reported space requirements for recommendation of a site for development by type of enterprise. The mean, median, and mode are provided for the purpose of comparison. For example, the mean acceptable amount of space for a vending site is 322 square feet, although the most frequently reported figure is only 100 square feet. Half of the recommendations made for cafeteria enterprises are for sites smaller than 1200 square feet.

Table 4
Stated Space Specifications (in square feet)

Type of enterprise	Mean	Median	Mode
Snack bar & other	415	300	250
Cafeteria	1351	1200	1000
Vending	322	200	100

Start-up Costs

Table 5 displays the figures associated with start-up costs by type of enterprise. The maximum allowable expenses for equipment and other start-up costs varies from a mean of $33,956 for a vending site to a mean of $112,000 for a cafeteria. The mode and median for a snack bar are $30,000. The mode and median for a cafeteria are $100,000. These appear to be estimates rather than data based on actual experience.

Table 5
Excessive Start-up Costs (stated maximum permitted)

Type of enterprise	Mean	Median	Mode
Snack bar & other	$ 45,937	$ 30,000	$ 30,000
Cafeteria	112,000	100,000	100,000
Vending	33,956	20,000	10,000

Rent

Thirty-one percent of the states reported a maximum allowable for rent. The mean, median, and mode allowable percentages for each type of enterprise are provided in Table 6. The mean across all types of enterprises is 6.4%.

Table 6
Rent (stated maximum percentage of gross permissible)

Type of enterprise	Mean	Median	Mode
Snack bar & other	5.5	5	5
Cafeteria	6.3	5	5
Vending	7.4	5	5

Remodeling

The maximum allowable costs for remodeling are shown in Table 7. For example, the mean maximum allowable remodeling cost for a cafeteria is $53,361, although the most often mentioned figure (mode) is $100,000 and one half the amounts cited are below $47,500. Again, the "neatness" of the figures causes them to appear to be estimates rather than figures based on experience.

Table 7
Remodeling Costs (stated maximum permissible)

Type of enterprise	Mean	Median	Mode
Snack bar & other	$34,158	$17,500	$ 15,000
Cafeteria	53,361	47,500	100,000
Vending	19,265	10,000	20,000

Customer Traffic

The minimum expected customer traffic for each type of enterprise is displayed in Table 8. Expectations for a cafeteria are almost twice that of the other enterprise types.

Table 8
Customer Traffic (stated minimum number of people per day)

Type of enterprise	Mean	Median	Mode
Snack bar & other	281	250	300
Cafeteria	534	400	500
Vending	238	225	100

Storage Space

The data regarding the minimum amount of storage space expected in order to establish an enterprise are presented in Table 9. The expectations for a cafeteria are for a mean amount of 277 square feet which, again, is about twice that expected for other types of enterprises.

Table 9
Storage Space (stated minimum number of square feet)

Type of enterprise	Mean	Median	Mode
Snack bar & other	128	100	100
Cafeteria	277	200	200
Vending	113	100	100

Documentation Survey

The review of 81 actual site selection survey forms filed by the BE counselors who participated in the survey provides the basis for a comparison between stated and documented site selection criteria. Of these, 18.5% are cafeteria site surveys, 51.9% are surveys for vending sites, 25.9% are surveys of snack bar and other sites, and 3.7% are unspecified. The documented rate of site recommendation is 49%.

Documented Reasons for Site Selection Surveys

The reasons for conducting site surveys are shown in Table 10. In documentation, the primary reason for a site survey is a request from the prospective site.

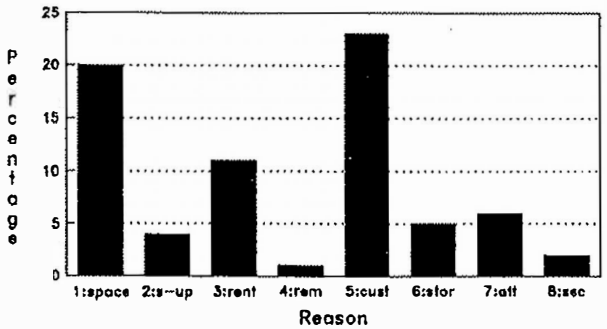
Table 10
Documented Reasons for Site Selection Survey

Reasons	Percentage
Agency quota/supervisory requirement	15%
Government building	27%
Interagency agreement	8%
Requested by site	31%
For add-on/business increase	19%
Other	0

Documented Reasons for Rejecting a Site

The documented reasons for rejecting sites are displayed in Figure 9. These were the reasons cited by BE counselors in the review of records of actual site surveys performed during the previous year. The primary documented reasons for rejecting a site were not enough customer traffic and not enough space.

Figure 9
Documented Reasons for Site Rejection



1:space; 2:start-up costs; 3:rent; 4:remodeling; 5: customer traffic; 6:storage space; 7:attitude; 8:security

These corresponded to the first two reasons given by the BE counselors who answered the questionnaire. Excessive rent is the third most frequent reason documented by the review of records of site surveys.

Characteristics of the Business Enterprise Program Counselors

The mean age of 45 years of the BE Program counselors and the median of 5 years of experience in the program seem to indicate that the BE Program attracts many people who have had previous work experiences. Thirty-six percent of the previous jobs held by BE counselors were in a business-related occupation. Business also predominates in terms of education in this sample, with 41% of the bachelor's degrees (highest degree held by half of the respondents) being in a business-related major. A major in rehabilitation was most frequent only for those 21% who hold a master's degree. The proportion of bachelor's degrees tends to decline among BE counselors over 30. Master's degrees are most prevalent in the 40 to 49 age group. These data may reflect the "aging" of the population in general; however, it appears that there is a trend toward hiring older, already-experienced personnel as BE counselors. It also appears that both training and education tend toward a business perspective rather than toward social service.

Administrative/Program Issues

Time and Funding

The median percentage of Section 110 funds devoted to the BE Program is 6%. Most state agency directors report spending about 5% of their work time on the BE Program. The directors who spend considerably more time than that are generally in states with lower populations and may be both the agency director and the BE Program director.

Since the delay between recommendation of a site by the counselor and administrative approval to proceed with the development averages about two months, the amount of administrative time does not appear to be a problem. However, when state BE Program

directors report a backlog of sites awaiting actual development, funding is considered the reason for delay in one half of the cases and lack of administrative time is reported to be the reason in about one third of the cases.

Some sites require no remodeling and other sites may require only minimal start-up costs. However, only 18% of the BE Program directors in the sample reported that their state expects to recover the costs associated with the development of a site. For those, the expected recovery period averages about 34 months.

This stated expectation does not appear feasible in terms of the start-up and remodeling costs involved in an enterprise. For example, the modal start-up and remodeling costs are $30,000 and $15,000 respectively for a snack bar, for a total of $45,000. The expected recovery time of 34 months indicates a monthly repayment of $1,323. Even if the set-aside assessed of the "average" operator is 10% of the mean gross, the operator is paying back $376 per month. In 34 months, the operator would pay back $12,798, about one fourth of the most frequently cited amounts for start-up and remodeling. If the greatest amount of time cited for cost recovery, 84 months, were used for the cost recovery term, the amount paid back would be only $31,584. Depending upon the policy of the state, the entire amount of the set-aside is not necessarily devoted to the establishment of new enterprises, which means that the recovery time would be even more lengthy and site development even more heavily dependent upon the use of rehabilitation funds. In reality, the costs for actual start-up and remodeling vary greatly by site; the data for this variable are derived from statements about practice, rather than documentation of practice.

Thus, the possibility and advisability of greater expectations for recovery of start-up or remodeling costs as a source of revenue for the establishment of new sites remain to be seen. The relationships among (a) commitment of Section 110 funds to BE, (b) a state's cost recovery schedule, (c) the percentage of costs recovered, (d) the state's use of set-aside funds, (e) the income levels of operators, and (f) the establishment of new sites require further study within states based on their own documentation from actual sites. The influence of interagency agreements in the establishment of sites is also relevant to these relationships.

Quotas and Other Reasons for a Site Survey

The fact that the number of sites surveyed per counselor in states with quotas does not differ significantly from that in states without quotas suggests a reexamination of the quota policy. The nonquota states have a higher ratio of recommendation for site development.

Perhaps the counselor-motivated surveys are more often positive because of a greater personal investment on the part of the counselors or because these surveys are related more closely to actual client need. The reason cited most frequently (Table 2) for conducting a survey was to add on a site which would increase the income for an operator already being served by the BE counselor. In examining the documentation regarding site surveys and recommendations, however, it appears that the primary reasons for site surveys were a request from a specific site itself (31%) and a potential location in a government building (27%). The discrepancies between statements and documentation may be because FY 1989 was an unusual year in some unknown aspect that caused BE counselors to survey sites in a different way, or they may reflect multiple reasons for a particular survey.

Site Specifications and Relationships

Income

The net/gross ratio for cafeterias was .21 (.40 for vending routes and .33 for snack bars). Despite their relatively low return rate, the highest of the mean minimal anticipated incomes for all types of enterprises was for a cafeteria ($21,447), which is 30% more than for snack bars and vending routes in this study. The FY 1987 federal report (RSA, 1988) lists the income for cafeteria operators ($26,291) as 11% higher than that of vending route operators ($23,356) and 26% higher than that of snack bar operators ($19,362). The fiscal advantages of operating a cafeteria appear to be obvious. However, BE counselors actually

surveyed about three times as many vending sites (440) as cafeteria sites (156). These figures appear to make sense if the primary reason for a site selection survey is to add on a vending site to an already existing operation to enhance the income of an operator (either snack bar or vending route). However, in terms of developing sites that would provide the most income for a new operator, this practice appears questionable and needs further study.

Customer Traffic

The data regarding customer traffic are interesting because of their relationship to the income of a site and their usefulness as a tool to project income of the potential enterprise. Using the minimum mean anticipated gross income (Table 3) and the minimum mean number of customers projected for each type of enterprise (Table 8), the mean anticipated expenditure per customer per year would be $160.75 for a snack bar, $189.30 for a cafeteria, and $157.94 for a vending route. Based on a work year of 240 days, the mean expenditure per customer per day would be $.67 for a snack bar, $.79 for a cafeteria, and $.66 for a vending site.

Based on the previous net/gross profit ratio, a cafeteria operator would derive only $.16 of net income for each customer as compared to $.22 for a snack bar and $.26 for a vending route. The information revealed in the interviews during the pilot study indicated that expenditures per customer differ according to whether the location will serve white or blue collar workers or primarily males or females. However, the data from the current study appear to provide an argument for the development of vending routes as new enterprises. The net/gross ratio argues for adding on vending sites to increase income for cafeteria and snack bar operators.

These data may provide a basis for comparison by an individual state. However, more definitive data could be provided by a state developing its own net/gross ratios and customer patterns study to use with comparative income data for each type of business enterprise.

Start-up Costs, Remodeling Costs, Space, and Profit

Table 11 shows some of the indices and ratios related to profit for each type of enterprise site. Dividing the mean maximum allowable start-up costs (Table 5) by the mean square feet of each type of enterprise (Table 4) provides a start-up index (SUI). The mean maximum allowable remodeling costs (Table 7) divided by the mean square feet of each type of enterprise provides a similar remodeling index (RI). Combining the maximum allowable start-up costs with the maximum allowable remodeling costs and dividing by the square footage provides an index of the maximum start-up/remodeling expense (SRI) for each type of enterprise. Dividing the mean minimum expected income (Table 3) by the mean minimum square footage to establish (Table 4) provides a space-profitability ratio (S-PR).

Table 11
Start-up and Remodeling Indices* and Space-Profitability Ratios*

Enterprise	SUI	RI	SRI	S-PR
Snack bar	$111	$82	$193	$36.11
Cafeteria	83	39	122	15.87
Vending	105	60	165	46.49

*per mean square foot (Table 4)

These figures appear to provide one possible explanation for the apparently disproportionate preference for the survey of vending sites over other types of sites. Although cafeterias provide the highest average income for an operator, they have the lowest profit per customer and the lowest space-profitability ratio. Their combined start-up and remodeling costs are also the lowest. (These factors are probably related to the amount of space devoted to customer seating.) The BE counselor preference for vending sites appears to be cost effective and possibly less time-consuming to develop than a more complex cafeteria site. Other factors beyond the scope of this study such as cost and time to train an operator may also be important variables.

These figures (Table 11) might serve as baseline information in examining site survey and development data. However, several caveats apply: (a) these are composite figures across states, (b) these data are based on what counselors say, (c) averages are unduly affected by extremes in the data (the mode or median might be the more preferable measure of central tendency in a state study), and (d) remodeling costs might be better considered as a separate expense from those termed "start-up." Therefore, it is recommended that such indices and ratios be derived from data regarding *actual* sites *within* individual states. Individual SLA start-up indices and space-profitability ratios could provide valuable information in a state that is attempting to establish guidelines and minimum specifications regarding the development of various types of enterprises.

It is also tempting to assume that the relationship between income and square feet is a linear one and that the answer to income enhancement is additional space. In practice, however, it is obvious that income is dependent upon more factors than space. The success, in terms of income, of an enterprise is a function of personal attributes of the operator, economic trends, and environmental factors. It is very likely that the relationship between space and income is curvilinear, "topping out" and even declining at some point, but strongly affected by other factors.

Finally, the Business Enterprise Program, while profit-oriented for the operator, must also remain cognizant of its function as a rehabilitation program. The successful employment of an operator with a visual disability, in terms of satisfaction and satisfactoriness (Dawis, England, & Lofquist, 1964), is not strictly a function of income derived.

Reasons for Site Rejection

The two primary reasons for rejecting a site are insufficient customers and insufficient space according to both the answers given on the questionnaire and the reasons cited in the documentation review. The third most frequent reason cited on the questionnaire is a negative attitude on the part of management. The third most frequent reason revealed by the documentation review is that rent or other considerations to be paid are excessive.

The disparity may be a function of the events in a particular year; however, it is more likely that negative attitudes on the part of the management of a prospective site are related to the amount of rent or other considerations to be paid. The "negative attitude of management" may be toward having a food related enterprise on the premises, toward the percentage of income to be paid to management in rent or other considerations, toward the diversion of funds away from use by an employee association or a management objective, or toward the operation of such a facility by a person with a visual disability.

Since the documentation indicates that 31% of the site selection surveys were in response to requests from potential sites and an additional 27% were in government buildings, it seems likely that the negative attitude is more apt to be toward having an enterprise operated by a person with a visual disability, possibly in conjunction with state agency supervision that limits the amount of rent or other considerations that may be paid. Additional research will be required to sort out these relationships.

Sex and Ethnic Group

The data in this study regarding the percentage of males (89%) who are BE counselors appears to echo the results of previous studies regarding the characteristics of BEP operators. Tedder and Maxson (1989) reported a ratio of 72% to 90% male operators according to type of enterprise (1989). The proportion of males among new BEP operator-trainees found by Partos and Kirchner (1986) was also similar. The proportion of whites (91%) in the current study was similar to the 85% proportion found by Tedder and Maxson (1989). These relationships raise the question of whether the recruitment of female and minority BE counselors would proportionately influence the ratios among BEP operators.

Recommendations

Two policy recommendations emerge from the results of this study. There are also

several secondary suggestions for within-state studies, as well as suggestions for national research.

Policy Recommendations

Eliminate quotas of site selection surveys. BE counselors in states without quotas conduct as many surveys of sites as BE counselors in states with site survey quotas. The nonquota states have a higher rate of site recommendations. BE counselor time appears to be more effectively spent in counselor-initiated surveys.

Vending sites appear preferable. Vending routes are more profitable per customer and in terms of net/gross ratio than either of the two other types of enterprises. They are apparently moderately more expensive per square foot than cafeterias to establish, but less expensive than snack bars. Operators of vending sites have a lower income than cafeteria operators, but higher income than snack bar operators. Therefore, BE counselors appear to be well-justified in their time spent in surveying potential vending sites. The additional income that operating a cafeteria may bring an operator may not be as fiscally defensible as an operation involving vending machines, particularly when the amount of time in program supervision is considered. The addition of vending machines as an adjunct to an already-existing enterprise in order to increase income appears to be a particularly sound practice.

Recommendations for Practice

Develop a data base. A further recommendation is for each state to develop data similar to this study in order to determine basic specifications for site development within that state. Indices regarding the floor space, customer traffic, amount spent per customer, and cost of establishment are valuable when estimating the feasibility of a potential site.

The data regarding snack bars appear to be based on experience. However, the data regarding start-up costs, space specifications, and remodeling costs appear to be based on counselor estimates, particularly with respect to cafeteria and vending sites. It is obvious that BE counselors are more experienced in establishing snack bar operations. However, it would appear useful to have guidelines based on documentation of the costs associated with various factors for each type of enterprise when attempting to predict the success of a new operation.

Examine expectations regarding cost recovery. The thinking revealed in this study regarding the recovery of start-up costs appears to be unrealistic. The commitment to the rehabilitation aspects of the Business Enterprise Program may supersede the fiscal aspects of the program, in general or in specific instances. For example, it may be important to establish an attractive site in a specific location for the purposes of program visibility without much thought given to the idea of cost recovery. Another possibility is that the need for employment for a person with a visual disability may sometimes surpass the need to recover start-up costs within a specific time frame. However, states need to give some thought to a customary policy regarding cost recovery in order to be consistent with the notion that vocational rehabilitation "pays for itself."

Examine the representation of women and minorities among BE personnel. It is apparent that there is inadequate representation of women and minorities in the BE Program at both the operator (Tedder & Maxson, 1989) and counselor levels that should arouse the attention of individual states. The proportions of minorities vary across states. Individual SLAs must assess their own proportions of minority operators against census data for that state to determine if certain groups are underrepresented among operators.

The proportion of females in the population does not vary significantly from one state to another. Therefore, states will need to address a number of different questions regarding women in the BE Program: Does the agency employ a representative proportion of rehabilitation counselors who are women? What are the reasons women do not pursue careers in the BE Program? Does underrepresentation of women as BE counselors appear related to the ratio of women operators?

Future Research

Future research regarding the BE Program should examine the relationships between operator attributes and operation of various types of enterprises, time and difficulty of training, and the relative complexity of cafeterias to operate and supervise. It should also address how the decision is made to develop a specific type of operation for a certain location if a choice of enterprise type is possible. The relationship between a negative attitude on the part of management and the establishment of an enterprise requires further examination with regard to rent and employee attitudes.

It also seems that a national study of the ratio of women and minorities in the BE Program may be necessary to bring the question of equal representation the importance it deserves. In addition to the question of equal opportunity within the program, the BE Program cannot continue to disregard these groups as valuable sources of personnel.

Conclusion

The Randolph-Sheppard Business Enterprise Program is a unique and complex blending of the principles of business and rehabilitation. The relationships within the program must always be considered in both contexts. Factors that make the BE Program successful reflect a partnership between BE operators in the program and state licensing agency personnel. Expansion of the BE Program should be based on improved understanding of the variables related to both groups and their interactions.

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APPENDIX

FORM A State _____

DEAR STATE DIRECTOR:

Your agency has agreed to participate in a BEP survey. As part of our information gathering, we are seeking YOUR personal perspective on four questions. We would appreciate your taking a few minutes to answer these questions. If you have a question regarding the information requested, please call John Maxson or Norma Tedder at (601) 325-2001. We do appreciate the value of your time, and we look forward to your response. We have supplied a stamped, self-addressed envelope for your convenience.

1. What percentage of agency 110 monies is earmarked for the BEP program (if applicable)?

   _____%

2. What amount of your time do you estimate devoting to BEP issues?

   _____%

3. Does your agency have a preference regarding establishment of certain types of BEP locations in your state? For example, would a specific type of enterprise (vending route, etc.) be more prevalent in your state? Why?

4. Does your agency have interagency agreements regarding establishment of certain sites regardless of income? (Example: some states establish vending locations anywhere the highway department requests)

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FORM B State _____

BEP STATE PROGRAM DIRECTOR SURVEY

1. What is the AVERAGE amount of time between recommendation/approval by counselors and approval of the administration?

   _____ Months

2. Does your agency have a backlog of sites awaiting development?

   _____ No _____ Yes: How Many? _____

   What are the reasons for the backlog?

   (Check all that apply)

   _____ lack of funds

   _____ lack of BEP counselors

   _____ lack of administrative time

3. Does your state have special agreements regarding the establishment of sites? (Example: some states establish a site requested by certain agencies regardless of income) Give any such examples in your state:

4. How many site surveys were done in your state LAST FISCAL YEAR?

   _____

5. How are site surveys documented by the BEP counselor if they are NOT recommended for development?

6. Is there an expectation that startup costs will be recovered in a specific amount of time?

   _____ No _____ Yes

   Expected recovery time (months) _____

7. Is there a limit on the amount of rent/commission/special considerations the operator is permitted to pay?

   _____ No _____ Yes: % of gross _____

8. Does your agency REQUIRE a certain number of site surveys per year for each counselor?

   _____ No _____Yes: number required _____

9. One more time:

   Several types of staff members are devoted to/attributable to the BEP program. How many do you have of the following types:

   _____ Secretaries

   _____ Technicians

   _____ Regional/area supervisors

   _____ BEP counselors/reps/direct vendor supervisors or similar title

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FORM C State _____

BEP Counselor Survey Form

(Check the most appropriate answer or fill in the blank)

1. How many site surveys did you do last year? _____

2. For what reasons did you do the site surveys?
[Check the reason in the blank on the left. Enter the number of surveys you did for that reason on the right]

a.	_____	agency quota	_____
b.	_____	government buildings	_____
c.	_____	agency required to establish site (highway dept., etc.)	_____
d.	_____	requested by the site	_____
e.	_____	direct order from supervisor	_____
f.	_____	to increase number of new businesses/add-ons	_____
g.	Other		_____

Why? _____

_____

3. Of the sites you surveyed last year, how many did you recommend for development? _____

4. What percentage of your time do you spend doing site visits? _____

	Snack/Other	Cafeteria	Vending
1. (a) What is the minimum acceptable income you would expect per year before recommending a site for selection?			
Gross	$_____	$_____	$_____
Net	$_____	$_____	$_____
(b) What is the minimum net for add-on sites?	$_____	$_____	$_____

CHECK THE BOX IF APPLICABLE AND FILL IN MINIMUM/MAXIMUM ON LINE.

2. What are the reasons you absolutely would not recommend a site for development?

	Snack/Other	Cafeteria	Vending
(a) not enough space (minimum requirement)	☐ _____ sq. ft.	☐ _____ sq. ft.	☐ _____ sq. ft.
(b) excessive start-up costs (equipment) maximum amount permitted	☐ $_____	☐ $_____	☐ $_____
(c) operators must pay rent/commission/other fees (maximum % of gross permitted)	☐ _____ %	☐ _____ %	☐ _____ %
(d) excessive remodeling costs (maximum amount allowed)	☐ $_____	☐ $_____	☐ $_____
(e) not enough customers (minimum employees/visitors required daily)	☐ _____	☐ _____	☐ _____
(f) not enough storage space (minimum required)	☐ _____ sq. ft.	☐ _____ sq. ft.	☐ _____ sq. ft.
CHECK IF APPLICABLE			
(g) location not secure	☐	☐	☐
(h) negative attitude of management	☐	☐	☐

ARE THERE ANY OTHER REASONS YOU WOULD NOT RECOMMEND A SITE FOR DEVELOPMENT?

(i) _____

_____

1. Age . . . . . _____

2. Gender . . . . . _____

3. Race/Ethnic Origin . . . . . _____

4. Education:
(Check all degrees and write in major)

_____ High School

_____ A.A. (major _____)

_____ B.A./B.S. (major _____)

_____ M.A./ M.S.(major _____)

_____ Higher degree (what? _____)

(major _____)

5. How many years have you been a BEP counselor? . . . . . _____

6. What did you do before you came to work for the BE Program?
(Check and fill in the blanks if appropriate)

_____ in school

_____ in business (type - _____)

_____ rehabilitation counselor/teacher/other agency position

_____ BEP operator

_____ retired from another job (type - _____)

_____ other type of position (type - _____)

7. Are you blind or visually impaired? Yes _____ No _____

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FORM D State _____

BEP AREA SUPERVISOR OR STATE BEP DIRECTOR

Please review 10% of the site survey reports completed during the last fiscal year by the BEP counselors under your supervision - both those sites recommended and those not recommended.

Fill out one of these forms for EACH survey report you review.

1. Type of enterprise (site) _____ cafeteria _____ vending _____ snack/other

2. Was this site (a) recommended by the BEP counselor? _____

   (b) not recommended by the BEP counselor? _____

3. (a) What was the estimated monthly income? net _____

   gross _____

   (b) How was it determined?

4. Would the operator be required to pay

   _____ rent _____ commission _____other consideration $_____
   amount per month

5. If the counselor did not recommend the site, what were the reasons?

   _____ not enough space (minimum requirements _____)

   _____ excessive (equipment) start-up costs ($ _____)

   _____ excessive remodeling costs ($ _____)

   _____ not enough customers per day (min. req. _____)

   _____ storage inadequate (min. req. _____)

   _____ security inadequate

   _____ negative attitude of management

6. Why was this site survey done: (check all that apply)

   _____ quota _____ direct order

   _____ gov't bldg. _____ interagency agreement

   _____ requested _____ increase business/ add on

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